

Message Text

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11

ACTION NEA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 LAB-04

SIL-01 PA-02 PRS-01 AGR-10 /104 W

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R 050633Z AUG 75

FM AMEMBASSY BEIRUT

TO SECSTATE WASHDC 5627

UNCLAS BEIRUT 9878

E.O. 11652: N/A

TAGS: ECRP, EFIN, LE

SUBJECT: FINANCE: PARLIAMENT SHIES FROM NEW TAXES

REF: BEIRUT 9878##

SUMMARY: BUDGET STILL NOT PROMULGATED DUE TO PARLIAMENT'S FAILURE TO MUSTER QUORUM TO ADOPT NEW TAXES. EXTRAORDINARY SESSION CALLED FOR ANOTHER TRY. PRESS REPORTS THAT 1976 BUDGET DEFICIT WILL BE LL400 MILLION, IMPLYING MORE NEW TAXES OR HEAVY BORROWING IF TRUE. END SUMMARY.

1. IN THE LAST DAYS OF ITS REGULAR SESSION ENDING JULY 31, PARLIAMENT TWICE FAILED TO MUSTER A QUORUM TO ADOPT NEW TAXES TO COVER 1975 BUDGET DEFICIT, CAUSING EXTRAORDINARY SESSION TO AUGUST 15. A NEWSPAPER COMMENTED THAT THE DEPUTIES WOULD PREFER TO HAVE THE CABINET IMPOSE NEW TAXES BY DECREE BUT THE CABINET REPORTEDLY CONSIDERS SUCH A PROCEDURE IMPROPER.

2. PROPOSED NEW TAXES AND THEIR ESTIMATED REVENUES IN LL MILLIONS ARE:

A. INCOME TAX INCREASE LL 20

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B. REAL ESTATE CAPITAL GAINS LL 15-20

C. TAX ON PINBALL MACHINES LL 2

D. ANNUAL MOTOR VEHICLE TAX INCREASE LL 12

AT LL 49-54 MILLION THESE WOULD NOT COVER ORIGINALLY-
PROJECTED DEFICIT OF LL 140 MILLION BUT PARLIAMENT'S
FINANCE COMMITTEE CHAIRMAN HAS SAID ACTUAL DEFICIT WILL
BE SMALLER THAN PROJECTED DUE TO LOWER-THAN-EXPECTED
FOOD SUBSIDIES AND LOW SPENDING RATE FIRST SEVEN MONTHS OF
1975 UNDER CONTINUING RESOLUTION.

3. PARLIAMENTARY ABSENTEEISM SMACKS OF FIDDLING WHILE
LEBANON SMOULDERS BUT WITH ONLY FIVE MONTHS LEFT IN
CALENDAR/FISCAL YEAR DEPUTIES MAY VIEW 1975 BUDGET AS
RELATIVELY MEANINGLESS AND ESTIMATED DEFICIT AS TECHNICAL-
ITY. IF BUDGET PROMULGATED LATE ENOUGH ACTUAL SPENDING
UNDER MONTHLY CONTINUING RESOLUTIONS MAY REMAIN WITHIN
ACTUAL REVENUES, PERMITTING REVISION OF ESTIMATES AND
ELIMINATION LEGAL PROBLEM.

4. CHIEF CASUALTY IS DEVELOPMENT SPENDING. AS WE UNDER-
STAND IT NEW PROJECTS CANNOT BE INITIATED UNDER CONTINUING
RESOLUTIONS. HOWEVER, DEVELOPMENT SPENDING LAGS FAR BEHIND
AUTHORIZATIONS SO DELAY HERE NOT UNUSUAL. CIVIL SERVANT
PAY INCREASE TO MATCH 11 PER CENT DECREED THIS YEAR FOR
PRIVATE SECTOR (BEIRUT A-37) ALSO A CASUALTY BUT WE UNDER-
STAND THIS NOT IN 1975 BUDGET IN ANY CASE. GOVERNMENT
WORKERS MAY HAVE TO WAIT UNTIL 1976, WHICH MAY CAUSE
PROBLEMS, OR SOME COMPROMISE RETROACTIVE ARRANGEMENT
MIGHT BE WORKED OUT.

5. MEANWHILE PRESS REPORTS THAT 1976 BUDGET NOW IN
PREPARATION CONTAINS MINIMUM DEFICIT OF LL 400 MILLION.
GOL SOURCE TERMS THIS NEWSPAPER SPECULATION. IF TRUE,
MORE NEW TAXES OR LARGE-SCALE BORROWING WOULD SEEM TO
BE NECESSARY. REGARDING BORROWING, THERE IS A GROWING
VIEW IN THE BANKING AND ECONOMIC COMMUNITY THAT THE
GOVERNMENT COULD AND SHOULD FLAT A LL 600 - LL 1000
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MILLION TREASURY BOND ISSUE.
GODLEY

NOTE BY OC/T: ##REFERENCE IN ERROR.

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